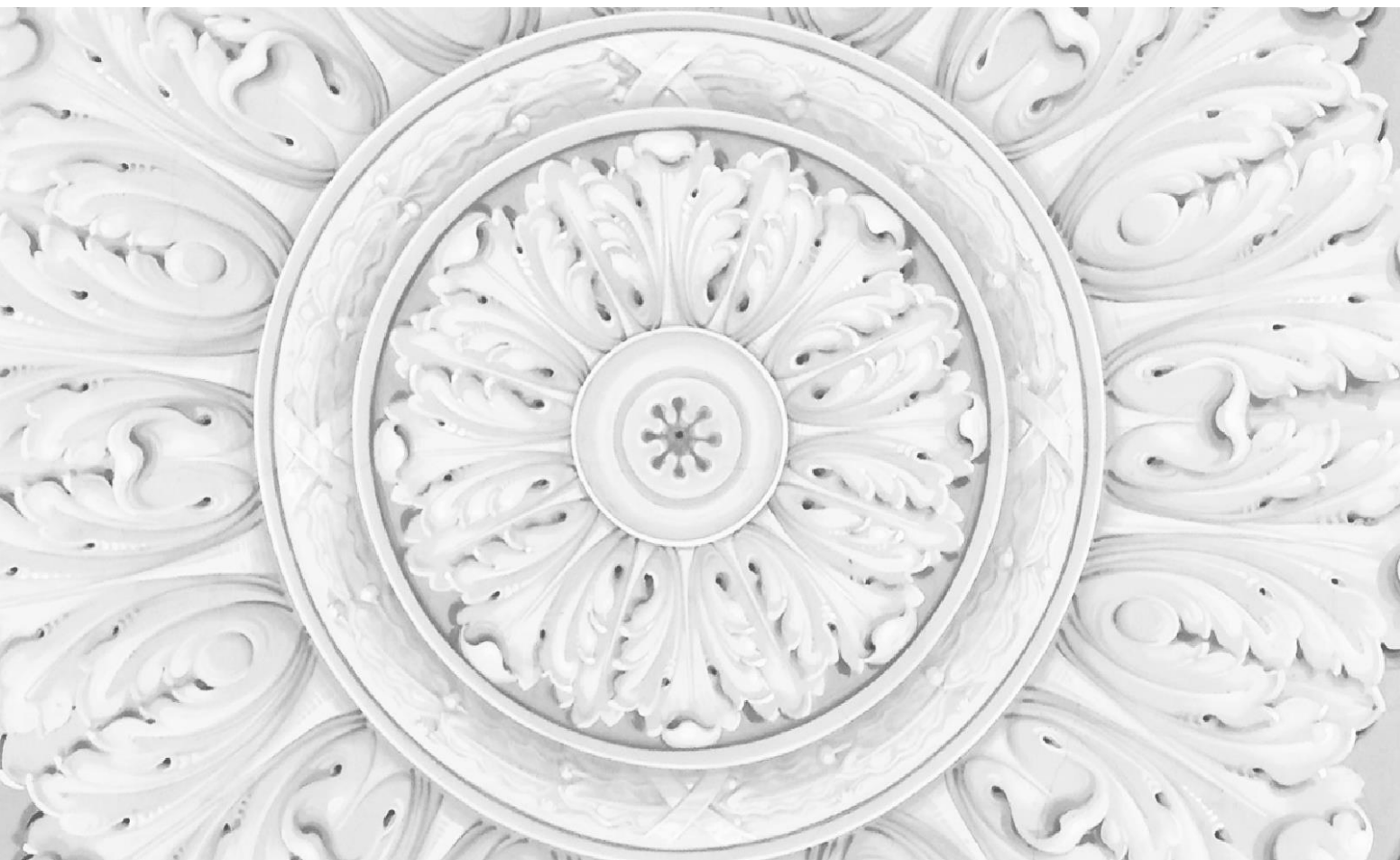




# Bank of Russia

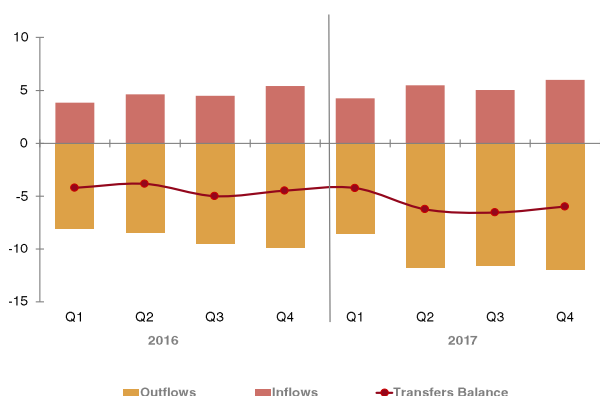
The Central Bank of the Russian Federation



## **CROSS-BORDER TRANSFERS OF INDIVIDUALS IN 2017**

In 2017, the total turnover of cross-border transfers by both resident and non-resident individuals<sup>1</sup> increased by 19.0% on the 2016 outcome reaching \$64.6 billion, whilst the deficit in the balance on cross-border transfers by individuals widened by 31.2% to \$23.0 billion due to an outpacing growth in individuals' overseas transfers from the Russian Federation.

Cross-border Transfers in 2016 and 2017.  
(billions of US dollars)



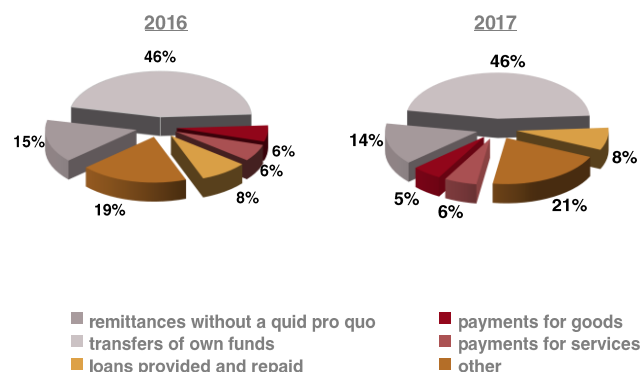
**Money transfers from Russia** by individuals increased from \$35.9 billion in 2016 to \$43.8 billion in 2017, or by 22.0%. The aggregate's dynamics was stipulated by the growing outflows both to non-CIS countries (by 19.9%) and to the CIS countries (by 27.4%).

As a year earlier, among money *senders residents* prevailed with their share in total cross-border transfers abroad growing from 69.1% in 2016 to 71.4% in the reporting period. In 2017, residents' transfers abroad totalled \$31.3 billion (against \$24.8 billion in 2016), including \$26.6 billion transferred to non-CIS countries (against \$21.5 billion in 2016). Non-residents transferred abroad \$12.5 billion (against \$11.1 billion in the preceding year).

*The composition of residents' transfers abroad by purpose* was dominated by *fund transfers to their*

*own accounts* with foreign banks (\$14.4 billion against \$11.3 billion in 2016). Their share in total resident individuals' transfers grew from 45.5% to 46.1%. Almost two thirds of the amount were transferred to Swiss, UK, Spanish, US and Italian banks.

Composition of Money Transfers by Resident Individuals from the Russian Federation in 2016 and 2017, by Purpose



Residents' *remittances without a quid pro quo* increased to \$4.5 billion, or by 20.8%, with their share in outgoing transfers shrinking somewhat from 15.2% to 14.5%. The aggregate's dynamics was determined mostly by money transfers of compensation of employees earned by labour migrants from the CIS countries, primarily, Kyrgyzstan, Ukraine, Uzbekistan, and Tajikistan (a total of \$1.4 billion). The volume of *remittances without a quid pro quo* by individuals grew somewhat to China (reaching \$0.7 billion from \$0.6 billion in the preceding year), which may be partially attributed to hidden payments for goods imported to the territory of the Russian Federation from China. The bulk of *remittances without a quid pro quo* (88.7%) were made via payment systems.

The total value of remittances *to pay for goods and services* reached \$3.4 billion (from \$2.9 billion in 2016) accounting for 11.0% of the outgoing flow. The main recipients of remittances to pay for *goods* were Japan, Italy, Germany, and China (together accounting for nearly one quarter of transfers in the category). Remittances to these countries are traditionally associated with purchases of cars, furniture and clothes. The main recipients of

<sup>1</sup> Cross-border transfers of individuals include cross-border remittances by resident and non-resident individuals (receipts for the benefit of resident and non-resident individuals) both effected via credit institutions through opening an account or without it, including remittances made via payment systems.

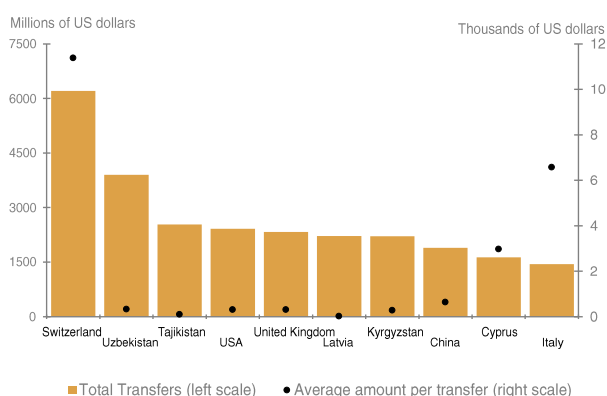
remittances to pay for *services* were the USA, the UK, Germany, and Switzerland.

Residents' transactions related to *lending, debt servicing and repayment of loans* continued the growth trend, expanding by 16.3% to \$2.5 billion in 2017. However, the share of the category shrank from 8.5% to 7.8%. Resident individuals extended \$1.9 billion in loans to foreign counterparties, which represented an increase by 71.7% on the preceding year's outcome. Loans were mostly extended to legal entities' accounts with Swiss, Cyprian, US and Latvian banks. Resident individuals transferred \$0.5 billion to repay and service previously received loans, which was 45.3% below the preceding year's outcome.

*In the geographical breakdown* of outgoing cross-border transfers by resident and non-resident individuals, the main destination countries were Switzerland, Uzbekistan, Tajikistan, the USA, the UK, and Latvia. Remittances to those countries accounted for 44.7% (\$19.6 billion) of the total.

Switzerland remained the largest recipient of funds from the Russian Federation, which is traditionally associated with depositing of individuals' own funds on bank accounts in that jurisdiction. The volume of remittances to Switzerland rose by 21.6% to \$6.2 billion in 2017 (representing 14.2% of outgoing flows).

Money Transfers of Individuals (Residents and Non-residents) from Russia to Top 10 Partner Countries in 2017



Transfers to non-CIS countries increased in 2017 from \$25.8 billion to \$30.9 billion, or by 19.9%.

Transfers to the CIS countries also registered growth by 27.4% (from \$10.1 billion to \$12.9 billion). Leading recipients were Uzbekistan, Tajikistan, and Kyrgyzstan, transfers to which totalled \$8.6 billion accounting for two thirds of total transfers to the CIS.

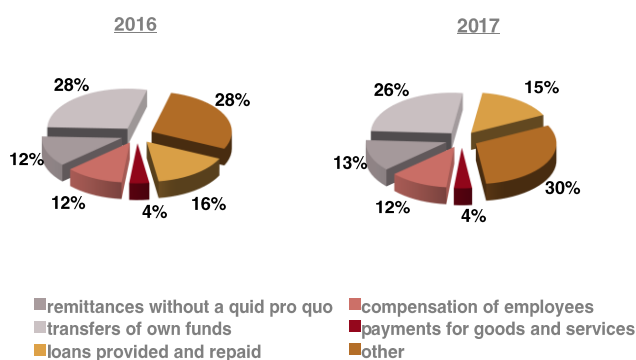
Individuals' transfers from the Russian Federation to the EAEU countries increased by 31.2% compared to 2016 reaching \$4.3 billion (representing 9.8% of outgoing flows). Their high dynamics was partially explained by labour force migration within the Union.

The US dollar was traditionally used as the main currency in interbank settlements associated with cross-border transfers in 2017. Nevertheless, its share in outgoing cross-border transfers shrank to 51.8% from 53.0% in 2016; euro-denominated payments accounted for 23.8% (against 23.4% in the preceding year) and ruble transfers represented 19.8% of payments (against 18.7%).

**The volume of receipts of individuals in the Russian Federation** totalled \$20.8 billion in 2017, which was 13.2% more than in 2016 (\$18.4 billion). Most funds were traditionally transferred for the benefit of *Russian residents* (\$18.4 billion or 88.5% of inbound flows).

In the breakdown of inbound flows by purpose, transfers by resident individuals from their accounts with foreign banks (*own fund transfers*) dominated. They increased by 7.6% reaching \$4.9 billion in the reporting period. Nevertheless, the share of the category of receipts in inbound flows declined from 28.3% to 26.4%. More than one half of the funds (\$2.8 billion) were transferred from resident individuals' accounts with Swiss, Italian, Cyprian and UK banks.

Composition of Money Transfers to the Russian Federation for the Benefit of Resident Individuals in 2016 and 2017, by Purpose



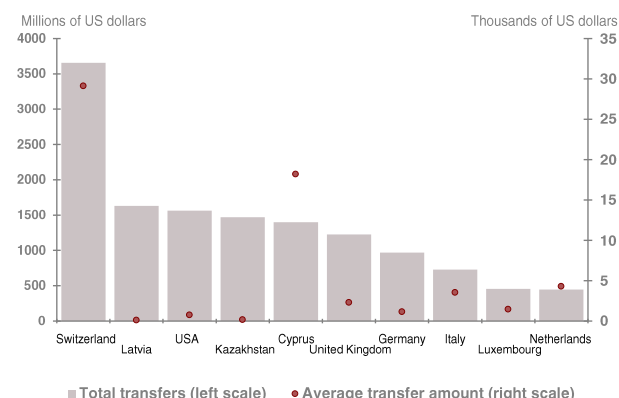
Inflows to Russia associated with *raising, servicing and repayment of previously extended loans* increased in 2017 by 13.8% to \$2.8 billion (representing 15.4% of inbound flows). Resident individuals received \$1.1 billion in borrowings from abroad. Switzerland, Cyprus and Latvia were top traditional lender countries with their transfers totalling \$0.8 billion. Resident individuals received \$1.7 billion in repayment of previously extended loans, exceeding 1.5 times the 2016 outcome.

In 2017, remittances without a quid pro quo from abroad to resident individuals grew by 18.0% to \$2.3 billion, with their share expanding by 0.3 pp to 12.5%. Like in the preceding year, remittances without a quid pro quo mostly came from CIS countries – Kazakhstan and Kyrgyzstan.

*Compensation of employees and other receipts under employment contracts* received by Russian residents rose in 2017 by 16.0% to \$2.2 billion, with the share of the category remaining at the 2016 level of 11.7%.

*Geographically*, the inbound flows of transfers from non-CIS countries grew by 12.5% reaching \$17.5 billion. Like in 2016, the bulk of inflows came from Switzerland, Latvia, the USA, Cyprus, and the UK totalling \$9.5 billion, which represented almost one half of receipts for the benefit of resident and non-resident individuals in the Russian Federation. The inflow of transfers from Switzerland, the main sender, rose by 15.8% to \$3.7 billion.

Money Transfers for the Benefit of Individuals (Residents and Non-residents) in Russia by Top 10 Partner Countries in 2017



Transfers from the CIS countries increased in 2017 by 17.1% growing from \$2.8 billion to \$3.3 billion. Kazakhstan remained the most important counterparty, accounting for 44.0% of total inbound flows from the CIS countries (against 41.3% in 2016). The volume of transfers from Kazakhstan grew in the reporting period by one quarter to \$1.5 billion, which was partially associated with payments for goods and services on the territory of the Russian Federation.

Transfers from the EAEU countries for the benefit of individuals in Russia totalled \$2.4 billion (accounting for 11.5% of the total volume of receipts) in 2017.

The US dollar continued to dominate *the currency composition* of inbound flows, though its position slightly weakened to 57.3% from 60.4% in 2016. The euro and the Russian ruble accounted for 23.9% and 15.9% of incoming transfers respectively (22.4% and 14.3% in 2016).

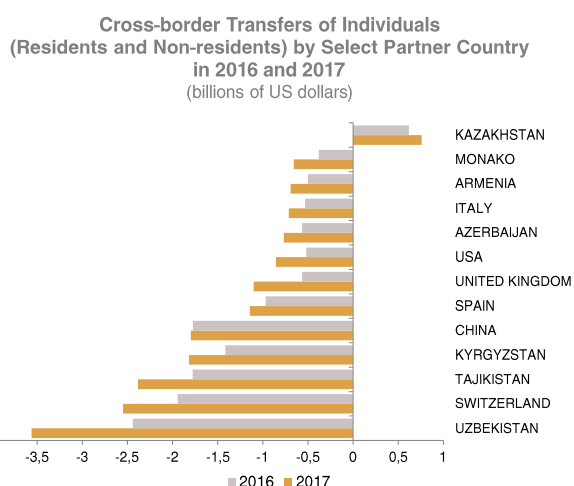
**The negative balance on cross-border transfers** of resident and non-resident **individuals** widened in 2017 to \$23.0 billion from \$17.6 billion in the preceding year. The deficit in the balance on cross-border transfers of individuals with non-CIS countries expanded on the 2016 outcome by 31.1% reaching \$13.5 billion, and by 31.4% to \$9.6 billion with the CIS countries.

The negative balance on cross-border transfers was registered in 2017 with almost all key non-CIS counterparties, except for the Netherlands, the UAE

and Singapore. Switzerland traditionally remained the leading transfer recipient with its share expanding by 31.1% to \$2.5 billion. The negative balance on transfers with China reached \$1.8 billion, \$1.1 billion each with Spain and the UK, and \$0.9 billion with the USA.

Among the CIS countries, the most tangible deficit in the balance on cross-border transfers was observed with Uzbekistan (\$3.6 billion), Tajikistan (\$2.4 billion), and Kyrgyzstan (\$1.8 billion). The surplus in the balance on cross-border transfers was registered with Kazakhstan (\$0.8 billion) and Turkmenistan (\$0.1 billion).

The total negative balance on individuals' cross-border transfers with the EAEU countries widened in 2017 by 32.4% reaching \$1.9 billion.



**The turnover of cross-border transfers via payment systems<sup>2</sup>**, included within cross-border transfers by resident and non-resident individuals, expanded in 2017 by 23.4% to \$11.8 billion. The share of transfers via payment systems in the outgoing flows of cross-border transfers grew to 21.0% (from 20.4% in the preceding year) and to 12.5% (from 12.1% in 2016) in the inbound flows.

<sup>2</sup> The data on money transfers include those effected via the following payment systems: ANELIK (January-July 2017), BLIZKO, CONTACT, InterExpress (January-March 2017), Western Union, Zolotaya Korona, UNISstream, LIDER, and the data provided by FGUP "Pochta Rossii".

Transfer receipts for the benefit of individuals in Russia rose by one quarter to \$9.2 billion, whereas transfers from the Russian Federation increased by 17.4% to \$2.6 billion. Thus, the negative balance on cross-border transfers via payment systems totalled \$6.6 billion, growing by 28.6% or by \$1.5 billion.

Transfers to and from the CIS countries dominated transfers via payment systems with outgoing flows totalling \$7.0 billion representing 76.2% of the total and inbound flows standing at \$1.7 billion constituting 64.8% of the total. Individuals transferred \$2.2 billion to non-CIS countries and received \$0.9 billion via payment systems.

*Geographically*, top recipient countries of transfers via payment systems from the Russian Federation in 2017 were Uzbekistan, Kyrgyzstan, China, Tajikistan, and Azerbaijan. Together they accounted for 65.4% of outgoing transfers via payment systems.

In inbound flows, the most significant money senders to Russia were Kazakhstan, Kyrgyzstan, Armenia, the USA, and Uzbekistan, accounting together for more than one half of all funds received by individuals in the Russian Federation.

The amount of an average outgoing remittance rose from \$424 in 2016 to \$472 in 2017. The average amount of an incoming remittance also increased from \$496 in 2016 to \$544 in 2017. Meanwhile, an average remittance to non-CIS countries exceeded an average remittance to the CIS countries almost threefold (\$1099 against \$400). At the same time, an average receipt from the CIS countries exceeded the similar average for non-CIS countries by 18.1% (\$578 against \$490).

According to the Bank of Russia's estimate, a weighted average cross-border transfer fee totalled in 2017 1.7% of the amount of transaction which was considerably below the world average of 7.1%.<sup>3</sup> Thus, an average fee of \$8.2 was charged for an

<sup>3</sup> Remittance prices worldwide – Issue 24, December 2017, p.8



average outgoing remittance from Russia of \$472. Fees of payment systems' operators on the territory of the Russian Federation remained the lowest in G20 countries.

Average remittance fees in G20 countries

